

1 whether Verizon nonetheless would object to
2 including that by itself in the Interconnection
3 Agreement? In other words, what are the arguments
4 against including that in the Interconnecting
5 Agreement, an articulation of the offer that was
6 made under separate cover?

7 MR. PITTERLE: The offer again being offer
8 to exchange traffic?

9 MR. MOON: Yes.

10 MR. PITTERLE: So, to rephrase your
11 question, is Verizon willing to include in its new
12 contract language that would codify in the contract
13 the offer to exchange traffic under 251(b)(5)?

14 MR. MOON: Yes, thank you.

15 MR. PITTERLE: Of the ISP rate.

16 I certainly have no problem with that, and
17 I would just leave it up to my attorney to make the
18 final decision on that. But from my perspective, I
19 don't have a problem.

20 MR. MOON: Okay. Just to be sure for the
21 record to the petitioners, and this case is
22 relevant to WorldCom and AT&T, regarding this

1 implementation of the mirroring rule, WorldCom and
2 AT&T, having added the past-due provision, is it
3 grounded in anything based on your reading of the
4 Commission's order, starting with AT&T?

5 MR. KIRCHBERGER: No. The past due
6 provision is based upon our experience with trying
7 to collect carrier compensation for ISP traffic
8 under the existing Interconnection Agreement that
9 we are still operating under, and the fact that
10 there is an active appeal of the remand decision
11 that we want to get this issue cleaned up at the
12 time of the Interconnection Agreement signing.

13 MR. MOON: Do you believe it's
14 conceivable, or can you think of a remedy to clean
15 up the issue in a separate proceeding from the
16 Interconnection Agreement that's being arbitrated
17 here?

18 MR. KIRCHBERGER: Well, one of the
19 interesting things is what Commission would we
20 bring that to? I guess we would bring it to the
21 FCC because the SCC, State Corporation Commission,
22 to my understanding, has already decided they would

1 not hear the interconnection arbitration under
2 Federal rule, so I guess we will back here again
3 just under a separate proceeding.

4 But that's subject to check with my
5 lawyers. Once again, I will freely admit I'm not a
6 lawyer and don't plan to give legal advice. That's
7 policy interpretation.

8 MS. PREISS: But that would require
9 whichever regulatory body heard that issue would
10 require an interpretation of AT&T's prior agreement
11 with Verizon; correct?

12 MR. KIRCHBERGER: The existing
13 requirement.

14 MS. PREISS: The one that would be
15 superseded by this?

16 MR. KIRCHBERGER: You are correct.

17 MR. MOON: Same questions to WorldCom.

18 MR. BALL: The linkage to the order for
19 that language is really that previous to the order
20 there were two categories of traffic. There was
21 local and toll, and the order provided the change
22 of law creating a third category of traffic,

1 information access with a unique rate.

2 So, it's our position that up until this
3 order that traffic was local and compensable as
4 local traffic. There isn't a direct statement in
5 the order saying they have to pay up.

6 MR. MOON: And in comparison to AT&T's
7 expression of separate remedy, would there be
8 another way, in your mind, that WorldCom could, so
9 to speak, settle that past-due issue?

10 MR. BALL: We would--we would hope so, but
11 we will have to, you know, be realistic. Verizon
12 owes us over \$100 million; it's not a trivial
13 amount. And that's why we feel it's very important
14 to have strong language in these contracts because
15 it's been a very difficult issue to enforce in any
16 jurisdiction.

17 MS. PREISS: Let me follow up. If we put
18 language in this contract that said Verizon has to
19 pay up whatever amounts are past due under
20 its--under the current contract, that still then
21 requires a determination by somebody about what
22 amounts are past due under that contract; right?

1 MR. BALL: Well, we know how much is past
2 due.

3 MS. PREISS: The entire point is that
4 Verizon and WorldCom and Verizon and Cox and
5 Verizon and AT&T have not been able to agree, so
6 what I don't understand is how us putting the
7 language in the contract gets you the money you
8 think you're due. It will still require a separate
9 proceeding to determine that amount due. The
10 parties can't agree on their own, so the Virginia
11 Commission or the FCC would have to determine that.

12 MR. BALL: Well, I think the language
13 basically gives Verizon the choice. They could
14 receive the FCC rates and pay their past-due
15 amounts, or they could continue the disputes.

16 MS. PREISS: What I'm saying is I don't
17 see that past-due amounts is not a determinate
18 figure. It's an amount that's in dispute. What
19 you say is past due is not the same thing that
20 Verizon says is past due.

21 MR. BALL: No, I understand. I think the
22 way the contract is set up, it's voluntary on

1 Verizon's part to pay the amounts in exchange for
2 receiving the ISP rates.

3 MS. PREISS: In other words, where we
4 should interpret the contract language WorldCom is
5 proposing is Verizon should pay up the amount that
6 WorldCom contends is past due in order to avail
7 itself of the lower rates in the ISP Remand Order.

8 MR. BALL: Yes.

9 MS. PREISS: Is that how we should
10 construe the AT&T language as well? Verizon must
11 pay the amount that AT&T says is past due?

12 MR. KIRCHBERGER: The language is not that
13 specific, so I cannot give you a definitive answer
14 on that without conferring with the people who
15 determine the dollar amounts.

16 MS. PREISS: In other words, the dollar
17 amount would have to be determined; right? And
18 it's not set forth in your contract language.

19 MR. KIRCHBERGER: That's correct.

20 MS. PREISS: Okay. Who determines the
21 dollar amount? AT&T or Verizon?

22 MR. KIRCHBERGER: There would have to be a

1 mutual agreement on amount of traffic in dispute;
2 that's your first thing.

3 MS. PREISS: The testimony I heard is
4 that's just cold day in hell before that happens;
5 right?

6 MR. KIRCHBERGER: I hate to suggest
7 negotiations on the fly, but possibly if the
8 language was changed to say that the disputes be
9 settled by a date certain, and then that gives the
10 incentive that these things don't drag on so that
11 three years from now, when we are back in front of
12 some finders of fact to discuss the next
13 Interconnection Agreement that we are going to be
14 talking about disputes that didn't get cleared up
15 in 2001.

16 MS. PREISS: Has AT&T filed a complaint
17 before the Virginia State Corporation Commission or
18 before the FCC seeking payment of amounts it
19 contends are due under the existing contract?

20 MR. KIRCHBERGER: To the best of my
21 knowledge, no.

22 MS. PREISS: Has WorldCom, for amounts

1 WorldCom contends is due for ISP traffic under its
2 current contract with Verizon?

3 MR. BALL: For Virginia? No.

4 MS. PREISS: Has Cox?

5 DR. COLLINS: Yes.

6 MR. HARRINGTON: Cox has filed as to
7 Verizon South. Cox received an order from the
8 Virginia Corporation Commission when it was still
9 in the business of giving such orders in which the
10 Virginia Corporation held that the previous
11 contract required Verizon to pay reciprocal
12 compensation on this traffic. So, up until a
13 couple of months ago, verizon was, in fact, paying
14 Cox the full amounts under the existing agreement.

15 MR. BALL: I want to clarify, there has
16 been a complaint filed under our contracts at the
17 FCC under StarPower because they opted into the MCI
18 contract, so there is a pending complaint on this
19 contract.

20 MS. PREISS: But WorldCom has not filed
21 the complaint, but the StarPower complaint is about
22 the same contractual language? They adopted the

1 MFS?

2 MR. BALL: They adopted both the MFS and
3 MCI's contract, and the MFS contract expired and
4 the MCI contract is still held.

5 MR. McRAE: Could I make a clarifying
6 point on the status of the AT&T situation?

7 The reason AT&T has not filed a complaint
8 with either the State Corporation Commission or the
9 FCC was the fact that Cox and StarPower complaints
10 were pending, and I think given the similarity in
11 language in our contracts, it was a decision to
12 wait until that issue was resolved, and that was
13 before the FCC.

14 MR. MOON: Okay. Moving on to the
15 change-of-law provisions that we have been talking
16 about, just in the interest of being clear on what
17 actually the change-of-law issue we wanted to turn
18 to, I want to ask Verizon what the status quo is in
19 Virginia, for instance, if there were a successful
20 appeal of the Commission's order.

21 Would we be returning anything to the
22 State of Virginia that directly addressed ISP-bound

1 traffic? What is the status quo in Virginia?

2 MR. PITTERLE: You talked about a couple
3 of things, and I would like to be clear. You
4 talked about change of law. I took that to mean
5 some future reversal of the FCC order. When you
6 say "status quo," I'm trying to tie that to future
7 reversal.

8 MR. MOON: In other words, to the extent
9 that the petitioners have wanted to include
10 change-of-law provisions that suggests upon that
11 reversal, among other things, we return to some
12 intercarrier compensation regime for ISP-bound
13 traffic. What is the current status quo, and has
14 the Virginia Commission addressed this in any way?

15 MR. PITTERLE: I'm not aware that the
16 Virginia Commission has addressed it.

17 MS. PREISS: The Virginia Commission has
18 not issued an order that you're aware of, requiring
19 Verizon to pay reciprocal compensation for traffic?

20 MR. PITTERLE: In a generic sense, I'm not
21 aware of--

22 MS. PREISS: With respect to any CLEC with

1 which you had any Interconnection Agreement in
2 Virginia?

3 MR. PITTERLE: I believe there was a past
4 order for Cox, former GTE contract I'm aware of.
5 Somewhat aware of that. Beyond that, I don't have
6 any other information.

7 MR. HARRINGTON: Did you just say that was
8 between Cox and the former GTE that was resolved by
9 the Virginia Commission?

10 MR. PITTERLE: I said I wasn't certain,
11 but I thought there may be something like that.

12 MR. HARRINGTON: We could provide the
13 order which resolves the Cox/Verizon then Bell
14 Atlantic contract.

15 MS. PULLEY: We agree. It was--the
16 Virginia commission did speak to the former Bell
17 Atlantic/Cox agreement specifically. It was not
18 the former GTE/Cox agreement.

19 MR. PITTERLE: I stand corrected. It's
20 the former GTE.

21 MR. MOON: With regard to change-of-law
22 provisions we went into with regard to Cox, we

1 noted the existence of a general change-of-law
2 provision. We compared that with the specific one
3 tailored towards this issue I-5.

4 Moving to the other petitioners, we
5 believe we found in WorldCom and AT&T's proposed
6 contracts also some general change-of-law
7 provisions, and so I will start with WorldCom.

8 MS. PREISS: That question is just to AT&T
9 and WorldCom, given that there is general
10 change-of-law language in both of your proposed
11 contracts, can you explain why those provisions are
12 inadequate and you need specific change-of-law
13 provisions that you proposed with respect to
14 implementing the ISP Remand Order? You could start
15 with Mr. Ball.

16 MR. BALL: The history of this issue,
17 whether intercarrier compensation is to be paid for
18 ISP traffic, it's very clear that any order
19 especially from the FCC that makes the issue less
20 than clear, Verizon immediately stops paying. They
21 start withholding money. It happened when the FCC
22 issued their first order on ISP traffic they began

1 to withhold money.

2 And our concern is that if this FCC order
3 is stayed or remanded, Verizon will immediately
4 stop paying, and there is no default provision to
5 say what the compensation scheme would be if that
6 happens. And we are back to where we have been,
7 which is having a very large uncollectible on our
8 books, and waiting for something else to happen to
9 give us another means of being compensated for--

10 MR. MOON: More specifically, if you could
11 focus on the general change-of-law provision in
12 WorldCom's proposed contract and note what the
13 shortcoming is of that provision to care for--for
14 what would occur after successful appeal of the
15 order.

16 MS. KELLEY: If he could answer it, he
17 absolutely should, but he's not the witness on that
18 general change-of-law provision, and I suspect he
19 may not be particularly familiar with it. But if
20 he could answer, I'm certainly happy for him to.

21 MR. BALL: That's accurate.

22 My sense having reviewed those types of

1 provisions in the past, they are general, and they
2 usually require the parties to sit down and
3 negotiate what would happen to implement the change
4 of law.

5 In this instance, if there is no specific
6 scheme or ruling out there, I'm not sure what
7 incentive Verizon would have to negotiate a new
8 intercarrier compensation scheme. That's why we
9 feel we need something directly in the contract
10 that outlines what will happen in that instance for
11 our own protection because we have been fighting
12 this battle for a long time.

13 MS. PREISS: Does WorldCom have any other
14 contracts that are negotiated or arbitrated--I will
15 cast a wide net initially--change-of-law provisions
16 that require retroactive true-ups such as that
17 proposed by WorldCom here?

18 MR. BALL: I have seen those in the past.
19 I can't specifically refer to a contract, though.
20 I have seen retroactivity provisions in these types
21 of contracts.

22 MS. PREISS: Do you know whether a state

1 commission has ordered a retroactive true-up in the
2 change-of-law provision?

3 MR. BALL: I have seen states set
4 temporary rates subject to true-up. They generally
5 do that when they set the rate, and so when they
6 issue an order it's already clear.

7 MS. PREISS: That's not a change-of-law
8 issue. That's just an interim rate and will true
9 up when they set permanent rates.

10 MR. BALL: Yes.

11 MS. PREISS: What I'm talking about is
12 requiring retroactive true-ups subject to a change
13 of law. The law is clear at one point. It might
14 change at some point later on and requiring a
15 true-up retroactively.

16 MR. BALL: I'm not sure I have seen that
17 instance.

18 MR. MOON: To AT&T, the same question
19 about AT&T's general change-of-law provision. The
20 extent to which it falls short of caring for the
21 change-of-law provisions's goal that is
22 specifically addressed towards the ISP intercarrier

1 compensation order being appealed, successfully
2 appealed.

3 MR. KIRCHBERGER: Much like Mr. Ball, I am
4 not the subject matter expert on general change of
5 law. I do understand, though, that I think it
6 takes agreement between the parties as to the
7 interpretation of the change of law and the impact.
8 And as WorldCom has said, we know that this has
9 been a contentious issue. It's currently under
10 appeal, and what we have done is put fairly tight
11 specifications about how it should be handled when
12 and if there is a change in law on this specific
13 issue.

14 On the question of retroactivity, I
15 personally am not familiar with any contract with
16 retroactivity, but I have been told by Mr. Talbott
17 that he believes that the southern region that
18 there may be some change of law with retroactivity,
19 and that we will research that and provide them if,
20 in fact, we can put our hands on those contracts.

21 MS. PREISS: That would be helpful. We
22 would like to see the contract language, if it

1 exists.

2 MR. TALBOTT: We would be happy to do
3 that.

4 MR. MOON: With the change-of-law
5 provision versus the one tailored towards issue
6 I-5, it was noted that Verizon and Cox had agreed
7 on the general change-of-law provision, so
8 therefore is it Verizon's position also that it is
9 satisfied and has agreed with having a
10 change-of-law provision generally as between
11 WorldCom and AT&T?

12 The--is it Verizon's position that it is
13 sufficient to have the general change-of-law
14 provision in its contracts between Verizon and AT&T
15 and Verizon and WorldCom and that that
16 encompasses--addresses what would happen or what is
17 affected after a successful appeal of the
18 intercarrier compensation order for ISP-bound
19 traffic?

20 MR. PITTERLE: I think generally that
21 would be something Verizon would be interested in
22 looking into that, yes.

1 MR. MOON: Thank you.

2 Forgive me if this is too broad, but I was
3 wondering if Verizon could take a few moments to
4 clarify the schematic that it offers based upon
5 CPN, creation of additional POIs and so forth that
6 the petitioners have noted in their testimony, and
7 how that plays into the rebuttable presumption of
8 three-to-one in the implementation of the
9 Commission's order.

10 And perhaps we could move to a specific
11 contract language.

12 The first larger question is whether this
13 schematic that Verizon is offering, is it an
14 attempt to implement the Commission's order, or is
15 it in itself a rebuttal that--part of the rebuttal
16 that is set up by the Commission's order?

17 MR. OATES: Could I ask for a
18 clarification on what the schematic is being
19 referred to?

20 MR. MOON: I will start by asking more
21 simply: Is Verizon trying to rebut the presumption
22 within this Interconnection Agreement?

1 MR. PITTERLE: No. It just reserves the
2 right to rebut the presumption when it had the data
3 to file in the appropriate state commission.

4 MR. MOON: Is Verizon attempting in any
5 way to not follow the three-to-one presumption,
6 hence nearly implement the Commission's order in
7 differentiating between ISP-bound traffic and
8 251(b)(5) traffic?

9 MR. PITTERLE: Verizon is trying to
10 implement the order as intended on the three-to-one
11 ratio, and I'm--

12 MR. MOON: So, until Verizon or any other
13 party successfully rebuts the presumption of
14 three-to-one, the sole way that Verizon would
15 distinguish ISP-bound traffic from 251(b)(5)
16 traffic is through that three-to-one ratio?

17 MR. PITTERLE: Correct. For the traffic
18 that's within the local calling area, Verizon, the
19 three-to-one ratio would apply. Verizon would use
20 that three-to-one process to determine the traffic
21 on both sides, 251(b)(5) and ISP--measured ISP
22 traffic.

1 MS. PREISS: I'm confused on this point.
2 As I understand the three-to-one presumption, it's
3 a way for--an easy way, at least in the short term,
4 for parties to determine which traffic is ISP-bound
5 traffic and subject to one rate, and which traffic
6 is 251(B)(5) traffic subject to another rate. The
7 Commission's order also said that ISP-bound traffic
8 is not local traffic, does not originate and
9 terminate within a local calling area.

10 Therefore, it seems to me you're counting
11 traffic, you're measuring traffic in the
12 three-to-one ratio that includes some traffic that
13 is destined for ISPs and is therefore leaving the
14 local calling area local; right?

15 MR. PITTERLE: Under a virtual FX-like
16 arrangement?

17 MS. PREISS: No. Leave that aside.

18 The ISP is located in the same local
19 calling area as the originating end user, but the
20 Commission's ISP order has said those calls on an
21 end-to-end basis are not local calls. They
22 eventually leave the local calling area for the

1 Internet and the great beyond.

2 So, if the purpose of the three-to-one
3 ratio is to figure out which traffic is which, then
4 the traffic you're measuring to see if one side is
5 terminating more than three times more traffic than
6 the other side includes traffic that is leaving the
7 local calling area; right?

8 MR. PITTERLE: In that example you gave,
9 yes.

10 MS. PREISS: Okay. But I thought you just
11 said, when you're trying to measure that
12 three-to-one ratio, you're only talking about
13 traffic within the local calling area.

14 MR. PITTERLE: I was referring to the
15 virtual FX traffic where the Commission's order, at
16 least as I read the Commission's order--and it's
17 under my interpretation--talks about deriving the
18 ISP traffic based on traffic that is completed
19 within the local calling area. Doesn't say whose
20 local calling area in the order as I read it, but
21 it says within the local calling area. I think it
22 was paragraph 24 of the order, but that's what I

1 was using. I do agree with your basis that traffic
2 completed to the Internet is interstate, per se,
3 interjurisdiction.

4 MS. PREISS: I want to understand
5 Verizon's position is, what I think you just said,
6 is that you're only counting in that calculation of
7 the three-to-one ratio ISP-bound traffic where the
8 ISP is located in the same local calling area as
9 the originating end user.

10 MR. PITTERLE: That's what we are saying,
11 yes. For purposes of the ratio, yes.

12 MR. MOON: Okay. So, back to the question
13 of whether Verizon uses the three-to-one ratio as
14 the entire way of distinguishing between ISP-bound
15 traffic and 251(b)(5) traffic, the answer is yes?

16 MR. PITTERLE: Yes.

17 MR. MOON: Okay. In Verizon's proposed
18 contract to Cox in Section 5.7.8 that we talked
19 about earlier, there is an audit privilege, and in
20 that language you state that in accordance with
21 that auditing that Verizon would conduct, if any
22 such traffic is determined not to be reciprocal

1 compensation traffic, Verizon shall not pay
2 reciprocal compensation for that portion which is
3 determined not to be reciprocal compensation
4 traffic.

5 Would that determination be solely based
6 on calculations which are, in turn, based only on
7 the three-to-one ratio?

8 MR. PITTERLE: No, because I believe in
9 our contract it has language that says toll traffic
10 is not considered reciprocal compensation traffic,
11 et cetera. And if for some reason we found that
12 there was any traffic that was outside--that was
13 toll traffic-type call, not a reciprocal
14 compensation on it. We are dealing strictly with
15 traffic that's being divided on a three-to-one
16 ratio between 251(b)(5) and ISP comp, then the
17 traffic that falls within the 251(b)(5) we would
18 pay reciprocal compensation on. If it falls
19 outside of that, we would not. We were just trying
20 to say that. It would be some other form, whatever
21 is appropriate.

22 MR. MOON: Just to have a better

1 understanding in this context to WorldCom, of
2 deciding what plays into the three-to-one ratio, I
3 understand that WorldCom also seeks to account for
4 interconnection trunk and UNE-P traffic. Could you
5 elaborate on that?

6 MR. BALL: Yes. Under UNE-P, where we
7 don't have our own facilities based switch, we are
8 essentially leasing Verizon's switch, the way the
9 UNE-P arrangements work is when our UNE-P customer
10 calls a Verizon customer, they charge us reciprocal
11 compensation, and when the call flows backwards
12 there is an offsetting obligation.

13 So, there is essentially reciprocal
14 compensation going between customers just like
15 there would be if we owned a switch, and we want to
16 make sure that those minutes are included in the
17 calculation, so those demonstrate our presence in
18 the market and our activity in gaining customers
19 and competing.

20 MS. PREISS: Does Verizon disagree that
21 WorldCom-originated UNE-P traffic should count in
22 determining the three-to-one ratio?

1 MR. PITTERLE: Quite honestly, that was
2 not an issue that Verizon I think directly
3 addressed in its language or testimony, and I
4 believe that at this point what I would prefer to
5 do is take that back and be willing to address it
6 one way or the other in our language.

7 MS. PREISS: You're kind of supposed to
8 have done that already, and WorldCom proposed that
9 language, so what I'm asking is your response to
10 WorldCom's language that would include that UNE-P.

11 MR. PITTERLE: It would seem to be
12 appropriate, from my perspective.

13 MS. PREISS: Thank you.

14 MR. MOON: A couple of questions again
15 about rebutting the presumption of three-to-one. I
16 wanted to ask each of the parties what their
17 thoughts are on what the governing rates would be
18 during the pendency of a proceeding that would be
19 brought to rebut their presumption, starting with
20 AT&T.

21 MR. KIRCHBERGER: During the pendency, it
22 would be the ISP remand rates.

1 MS. PREISS: Subject to the three-to-one
2 ratio?

3 MR. KIRCHBERGER: Yes.

4 MS. PREISS: Thanks.

5 MR. MOON: Cox.

6 DR. COLLINS: We agree with AT&T.

7 MR. BALL: We agree as well.

8 MR. MOON: Verizon?

9 MR. PITTERLE: I agree.

10 MR. MOON: Cox seeks to include a
11 deadline, I believe, for rebutting the presumption,
12 or at least sets forth the timetable. Could you
13 elaborate on that.

14 DR. COLLINS: I wouldn't be able to
15 address it without reviewing it. For some reason
16 I'm drawing a blank on that section of Cox's
17 presentation.

18 MR. MOON: I will pass on that.

19 Cox would also like to include a specific
20 baseline in its Interconnection Agreement and, in
21 fact, has left a blank in the Interconnection
22 Agreement.

1 Is it Cox's opinion that a number could be
2 established and how would that--could you elaborate
3 on the establishment of that baseline.

4 DR. COLLINS: Yes. And at the same time
5 doing that just to speak a little bit in general
6 about Cox's position on these things.

7 MS. PREISS: We would rather you just
8 answer the question, okay? There is a question
9 pending, you can answer it, and you can explain
10 your answer, but if you can limit your answer to
11 the question asked as opposed to general
12 elaboration of Cox's position on issue 1.5, okay?

13 DR. COLLINS: I will be happy to do that.

14 MS. PREISS: Thank you.

15 DR. COLLINS: Cox's position is that the
16 Remand Order leaves to the interpretation of the
17 parties or leaves to negotiation between the
18 parties the specific implementation language, and
19 Cox's position in that regard was it wanted to sit
20 with Verizon and work out how the three-to-one
21 ratio would be determined, how the various traffic
22 components would be measured, what the caps would

1 be and how that cap would be applied.

2 So, going into the--going into that
3 negotiation, we did not plan on going in with a
4 predetermined formula as kind of a strawman, but
5 wanted to sit down with them and see if they could
6 work out from the beginning.

7 It was our experience that when you go in
8 with a predetermined formula that sets a rigid
9 structure, it kinds of crimps the negotiations a
10 little bit. So, we really didn't have a position
11 per se, but we are willing to work on one.

12 MR. MOON: Would this process of reaching
13 that baseline based on a formula, can you elaborate
14 on the details of how that would occur apparently
15 outside of this Interconnection Agreement.

16 DR. COLLINS: Well, we wanted to build
17 that mechanism into the Interconnection Agreement.
18 That is the new agreement, the one that's in
19 arbitration here.

20 MR. MOON: And AT&T has not--is taking the
21 formula approach as opposed to setting a baseline?
22 That is its position?

1 MR. KIRCHBERGER: I believe we laid out a
2 baseline calculation in Section 2.4--no, excuse me,
3 in Section 2.3 of our proposed language. It's a
4 formula based on the traffic between January 1st,
5 2001, and March 31st, and then we annualized it and
6 took the 10 percent growth and established the
7 10 percent growth factor.

8 So, it was based on factors. It was not a
9 set number that we wanted to put in. We have a
10 pretty specific layout of the methodology in our
11 contract language.

12 MR. MOON: And the same for WorldCom?

13 MR. BALL: Yes. I believe we have
14 language that tracks the language in the order on
15 how to do that.

16 MS. PREISS: I have a few questions. To
17 WorldCom, if you know the answer, since the
18 Commission issued the ISP Remand Order, has Verizon
19 reduced the rates that it's paying to WorldCom for
20 the termination of ISP-bound traffic under your
21 existing agreement with Verizon?

22 MR. BALL: Well, we would--we haven't

1 reduced the rates we are charging them.

2 MS. PREISS: Is Verizon not paying you
3 anything, or are they paying you something under
4 your existing agreement?

5 MR. BALL: They're paying us. Since the
6 remand order, they have not been paying us very
7 much. They are not paying us zero.

8 MS. PREISS: Something more than zero. Do
9 you know what rate they are paying you for those
10 minutes?

11 MR. BALL: Like I said, the rate they are
12 paying us is based on our bill, and we are
13 continuing to bill under our existing contracts
14 because we don't believe they properly mirror and
15 incorporate the change-of-law provisions in the
16 contracts. So, we have not started to bill them
17 the lower rates. And they're not paying us.

18 MS. PREISS: They're not paying you what
19 you're billing them?

20 MR. BALL: Right.

21 MS. PREISS: Is it your understanding that
22 they are paying you based on what they believe the

1 proper payment would be if the lower rates applied,
2 or do you not know?

3 MR. BALL: I don't know.

4 MS. PREISS: AT&T, do you know the answer
5 to that question under your existing contract with
6 Verizon?

7 MR. KIRCHBERGER: I know we are not being
8 paid what we feel Verizon owes us. I do not know
9 at what rate they're paying or whether they are
10 paying at all. It's my understanding through
11 discussions that in some states, but I'm not sure
12 Virginia is included, that they went to a
13 two-to-one ratio since the '99 ruling.

14 All I know is they owe us money, and I
15 don't know how it's calculated.

16 MS. PREISS: You don't know Verizon's
17 position on what it owes you changed since the
18 April order?

19 MR. KIRCHBERGER: I personally am not
20 aware.

21 MS. PREISS: Okay. Dr. Collins?

22 DR. COLLINS: Yes.

1 MS. PREISS: Counsel for Cox asked a
2 Verizon witness some questions earlier about has
3 Verizon unilaterally reduced its payments for
4 ISP-bound traffic to Cox under the existing
5 agreement. Do you know the answer to that
6 question?

7 DR. COLLINS: Yes. The answer is yes.

8 MS. PREISS: Do you know what payment
9 Verizon is paying?

10 DR. COLLINS: Deciphering these bills has
11 with it a certain level of complexity, but as best
12 we can determine it is the decreased rate suggested
13 by the Remand Order.

14 MS. PREISS: The .0015 cents per minute?

15 DR. COLLINS: The one and a half mills per
16 minute.

17 MS. PREISS: Are they doing that for
18 traffic above a three-to-one ratio?

19 DR. COLLINS: It appears so, and that's as
20 close as I can get the answer.

21 MS. PREISS: Thank you. I realize you may
22 not know what Verizon's intent is. I think Verizon